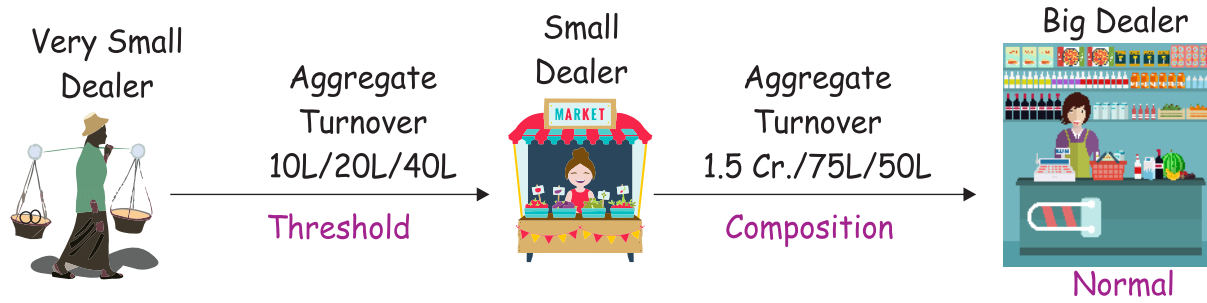


Chapter 3:- Composition Scheme



Analysis - Threshold, composition & Normal Scheme



Assessee	Mfg			Trader			SP		
	✓	✓	✓	✓	✓	✓	✓	✓	✓
Tax benefits	No Tax Payable			Tax is payable @ Composite Rate			Tax is payable @ Normal Rate		
Registration	Not required			Compulsory			Compulsory		
GST Invoice	Not required			Bill of supply			Tax invoice		
GST Records	Not required			Limited Extent			As prescribed under this Act		
ITC	NO			NO			Yes		
GST Return	Not required			1) GSTR -4, GSTR - 9A Annually 2) Quarterly Statement - CMP-08 3) Payment of Tax - Quarterly			GSTR-1 & GSTR-3B, Monthly or Quarterly for notified category		

Sec 10(1) & 10(2)		Sec 10(2A)
Applicability:	Manufacturer + Trader+ Restaurant etc.	Sec 10(2A) - Applicability :-
Eligibility :	Agg. T/O of P.F.Y. of R.P. does not exceeds Normally - 150 lakhs (including Assam + H.P. + J/K) Special Category State(SCS) - 75 lakhs	⇒ Applicable to RP whose Agg. T/o in P.F.Y is not exceeding ₹ 50 Lakhs ⇒ Person is not eligible to opt u/s/ 10(1)(2) ⇒ It is applicable to:
C.L.in C.F.Y.	Composititon levy upto Agg. T/O 150L/75L	a) Person engaged in SOS b) M/T/C where service is pre-dominant
Marginal Supply of services =	Manufacturer/catering & restaurant/trader may supply services of value upto 10% of T/O in state of P.F.Y. or 5 Lakhs. Which ever is higher (limit is state wise).	

Sec 10(2)- Eligibility Conditions-		Sec 10(2A)- Eligibility Conditions -
a)	Person opting for the scheme u/s 10(1) (Manufacturer/ Catering & Restaurant / Trader) cannot supply any service (Taxable / exempt), except as allowed in proviso 2 to sec 10(1). (Limit is statewide)	Not Applicable
b)	Not engaged in SOG/SOS, which are Non-taxable under GST Act.	a) Not engaged in SOG or SOS, which are Non-taxable under GST Act.
c)	Not engaged in making any inter-state outward SOG/SOS Note: Inter state inward supply is allowed.	b) Not engaged in making any inter-state outward SOG or SOS
d)	Not engaged in SOS, through an ECO , collecting TCS u/s 52. (i.e For SOG - CL allowed).	c) Not engaged in SOS, through an ECO , collecting TCS u/s 52
e)	Not a manufacturer of Notified Goods* .	d) Not a manufacturer of Notified Goods* .
f)	Neither a CTP nor NRTP	e) Neither a CTP nor NRTP
*[Notified Goods= Ice cream & other edible ice / Pan Masala / Aerated water/ tobacco & tobacco substitutes, Fly ash bricks, Fly ash aggregates, fly ash blocks]		*[Notified goods = Ice cream & other edible ice / Pan Masala / Aerated water/ tobacco & tobacco substitutes]
Note:- This restrictions only applicable to C.F.Y and not for P.F.Y		

Proviso to Sec. 10(2)/ sec. 10(2A) : All RP with the same PAN must choose the composition scheme u/s 10(1). If one of them chooses the regular scheme, everyone else will also be ineligible for the composition scheme.

GST Rate under Composition Scheme

Rule- 7 = Rates:-

Categories of RP	CGST	SGST	Total	Basis for Calculation
1) Manufacturer	0.5%	0.5%	1%	Turnover in State/UT (T . S . + Exempt + Nil rate)
2) Catering & Restaurant	2.5%	2.5%	5%	Turnover in State/UT
3) Trader	0.5%	0.5%	1%	Turnover of taxable SOG & SOS in the State/UT Only Taxable Supply of SOG & SOS
4) R.P. not eligible u/s 10(1)&(2), but eligible for 10(2A)	3%	3%	6%	Turnover of SOG & SOS in the State/UT (T . S . + Exempt+ Nil rate)

⇒ Both are Optional Scheme.

Sec. 10(3):- Eligibility Criteria for composition scheme:-
⇒ Option availed by RP u/s 10(1)/(2A) - shall lapse w.e.f. the day on which his Aggregate T/o during a CFY exceeds 150 lakhs/ 75 Lakhs/ 50 lakhs, as the case may be.

Sec. 10(4):- Other Conditions:-
⇒ Composition dealer cannot collect tax on outward supplies.
⇒ Composition dealer will not be eligible to claim ITC.
⇒ Composition dealer cannot issue tax invoice, but issue Bill of supply.

Sec. 10(5):-If PO believes that a taxable person has paid tax u/s 10(1)/(2A) despite not being eligible, such person shall-
⇒ pay tax & penalty as per applicable provisions &
⇒ sec 73/74 shall be applicable.

Rule-5 Conditions/ restrictions:-
1) Title on Bill of Supply= "Composition Taxable person, not eligible to collect tax on supplies"
2) Display at business premise= "Composition Taxable Person"
3) Pay tax under RCM = Stock of URP held at the time of taking C.L.

Section 2(6):- Aggregate Turnover

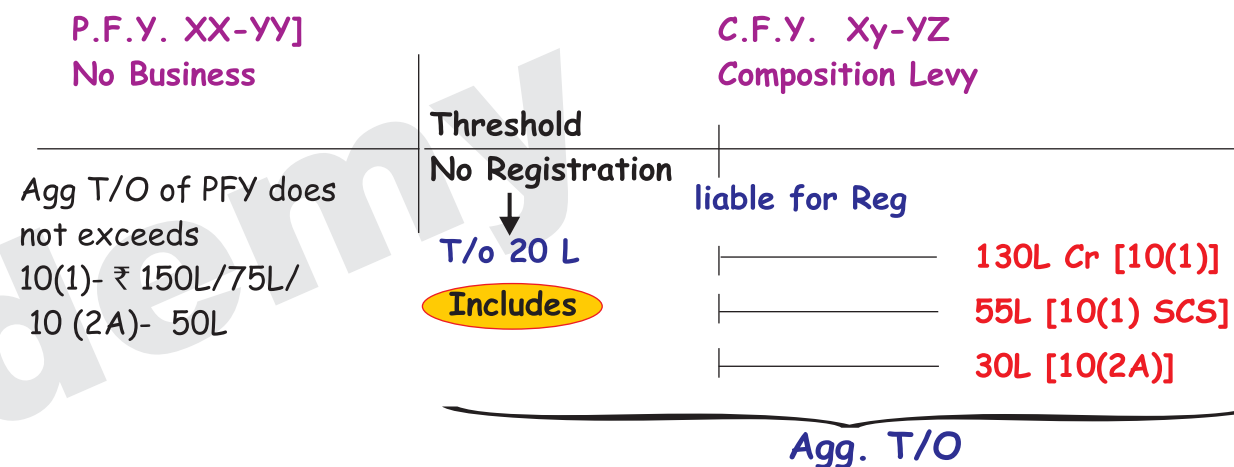
means the aggregate value of

- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis),
- exempt supplies,
- exports of goods or services or both and
- inter-State supplies of persons having the same PAN, to be computed on all India basis

but excludes central tax, State tax, Union territory tax, integrated tax and cess

Explanation:- For the purposes of computing turnover of a person for determining his eligibility to pay tax under this section for Sec 10(1) & 10(2A), **aggregate turnover" shall include** the value of supplies made by such person from the 1st day of April of a financial year up to the date when he becomes liable for registration under this Act, **but shall not include** the value of exempt supply of services provided by way of extending deposits, loans or advances is so far as the consideration is represented by way of interest or discount.

Explanation 1 of Sec 10 [Aggregate Turnover]



Sec 2(112):-Turnover in State" or "Turnover in UT

means the aggregate value of

- all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis) and
- exempt supplies made within a State or UT by a taxable person,
- exports of goods or services or both and
- inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person

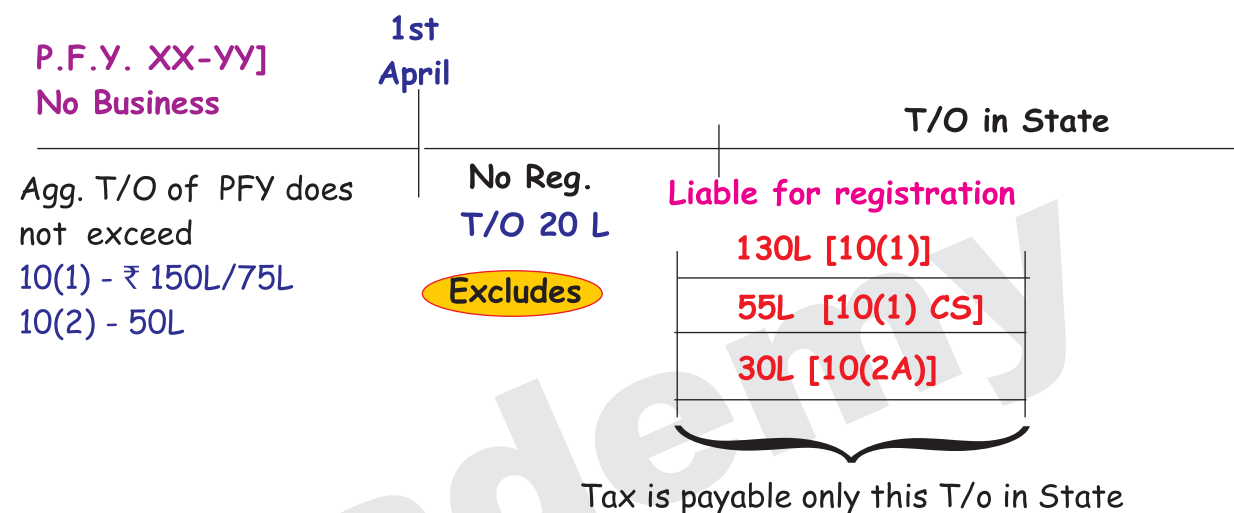
but excludes central tax, State tax, Union territory tax, integrated tax & cess.

turnover in State or turnover in Union territory" shall not include the value of following supplies, namely:

- (i) supplies from the first day of April of a financial year up to the date when such person becomes liable for registration under this Act; and
- (ii) interest or discount on deposits, loans or advances.

[We calculate T/o in state for payment of tax under CL]

Explanation 2 of Sec 10 [Turnover in State]



2(47) : Exempt Supply

means a supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax includes non-taxable supply

Procedure- Composition Scheme

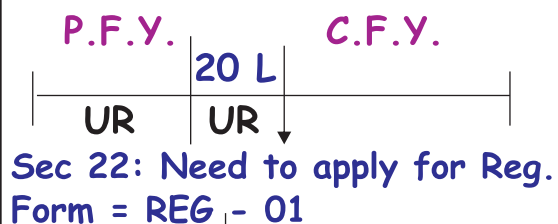
Procedure:- Rule-3 Intimation by URP= Pay tax under Composition levy in part B of FORM- GSTREG-01.(Considered only after grant of reg.)

Intimation by RP= Electronically file an intimation, prior to commencement of FY, for which option exercised.

Any intimation i.r.o. any place of business in a State/UT= deemed to be an intimation i.r.o all other place of business registered on same PAN.

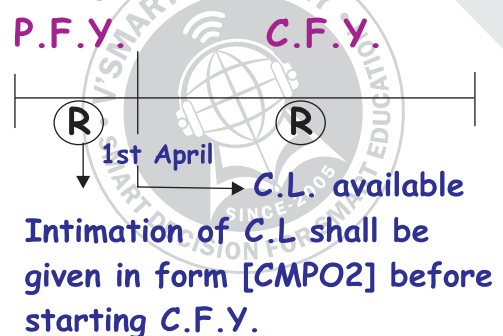
Intimation for opting C.L.

If a person is UR



- PART A** PAN
- PART B** Opting for C.L If is treated as intimation

If a person is already registered



Rule-6 Validity of Composition Scheme = Till person continues to fulfill conditions u/s 10(2)/(2A)/ Rule-5.

➔ If person ceases to fulfill above conditions= shall file intimation of opting out scheme in CMP 04 (Within 7days)

➔ If person want to opt out voluntarily= shall file intimation in CMP 04 before such withdrawal.

➔ After withdrawal he shall issue tax invoice & allowed to avail ITC i.r.o. stock held by him as on date.

Rule-62 ➔ File statement- Quarterly till 18th of month following the quarter.(CMP-08)

➔ File Return (GSTR-4)- Annually till 30th June of the following year.

Rule-80 ➔ File Return (GSTR-9A)- Annually till 31st Dec of following year.

Composition Levy

Interest / Discount on loan/Advances/Deposits

P.F.Y.	C.F.Y.	Sec 10(3) C.L. Lapsed
1) Agg. T/O [for deciding eligibility of C.L]	XX	SOG
Less: Interest / Discount	(X)	SOS
2) T/O in State [For Calculating marginal service]	XX	
Less: Interest/ Discount	(X)	
T/O in State	XX	
3) T/O in State [For payment of GST]	XX	
Less: Interest/ Discount	(X)	
T/O in State (1%, 5%, 6%)	XX	
4) Agg. T/O [150L/75L/50L]	XXX	
Less: Interest/ Discount	(X)	
Agg. T/O	XX	

* Interest = Exempt Supply = On loan /Advances or deposits

* Discount = Exempt Supply = Cheque discounting / BOE discounting etc. [e.g. Money Discounting]